

Fiscal Note

Fiscal Services Division



HF 2086 – Military Active Duty Income Tax Exclusion (LSB 5092HV)
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Fiscal Note Version – New

Description

House File 2086 expands Iowa's income tax exclusion for military pay received while on active duty. The exemption is expanded to include qualified members of the National Guard or Armed Services Reserve for service pursuant to Title 32 of the U.S. Code (32 U.S.C section 502(f) and 32 U.S.C. sections 709(a) & (b)). The exemption is retroactive to January 1, 2012.

Assumptions

- There are 2,024 Iowans currently serving under Title 32.
- Over the next five years, the number of personnel impacted will be constant.
- Using the ranks of the personnel involved and military pay schedules, the Department of Revenue income tax model was used for income tax projections.
- Due to the retroactive applicability provision and an assumed enactment date within the next two months, there will be some impact in FY 2012 due to withholding adjustments.
- The remaining impact for the remainder of FY 2012 will not occur until FY 2013 when the impacted personnel file income tax returns.

Fiscal Impact

House File 2086 will reduce the Iowa income tax owed by members of the National Guard and Armed Services Reserve serving under Title 32. The estimated income tax reduction is found in the following table.

Tax Reduction in Millions of Dollars	
Fiscal Year	Tax Reduction
Fy 2012	\$ -0.4
FY 2013	-5.5
FY 2014	-4.5
FY 2015	-4.6
FY 2016	-4.8

Sources

Department of Revenue
Iowa National Guard

/s/ Holly M. Lyons

January 26, 2012

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the correctional and minority impact statements were prepared pursuant to **Iowa Code Section 2.56**. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
